

## Rural Utilities Service, USDA

## § 1703.16

zero-interest loan. The charges over the life of the loan for routine loan servicing expenses must not exceed an amount equal to the sum of one percent per year of the outstanding principal on the first day of each year on the borrower's RUS zero-interest loan. The charges for extraordinary expenses associated with collection of delinquent payments or other similar expenses must receive the prior approval of the Administrator.

*Revolving loan program*—a program established and operated by the Borrower, using grant funds, the Borrower's contribution and loan repayments to make loans to businesses or others for rural economic development and job creation purposes.

*RTB*—the Rural Telephone Bank, established as a body corporate and an instrumentality of the United States, to obtain supplemental funds from non-Federal sources and utilize them in making loans, for the purposes of financing, or refinancing, the construction, improvement, expansion, acquisition, and operation of telephone lines, facilities, or systems, for RUS Borrowers financed under sections 201 and 408 of the Act.

*Rural area*—a rural area as defined in section 13 of the Act.

*Rural economic development*—job creation or preservation or community facilities improvement projects that clearly demonstrate significant benefits to rural areas.

*Rural economic development account*—a federally insured account into which the borrower deposits any advances of zero-interest loan funds from RUS until the borrower disburses the funds.

*RUS* means the Rural Utilities Service, an agency of the United States Department of Agriculture established pursuant to Section 232 of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (Pub. L. 103-354, 108 Stat. 3178), successor to REA with respect to administering certain electric and telephone programs. See 7 CFR 1700.1.

*Scope of work*—a detailed plan, which has been approved by the Administrator, covering the work to be performed by the loan and/or grant recipient using the loan and/or grant funds.

*Significant stockholder*—an owner or holder of five percent or more of the common stock (or shares) or five percent or more of the preferred stock (or shares) of the RUS borrower.

*Subaccount*—the rural economic development subaccount created by section 313 of the Act.

*Technical assistance*—analysis of facilities or processes, managerial, financial and operational consultation by independent qualified entities to assist project owners to identify and evaluate problems or potential problems and provide training to enable project owners to successfully implement, manage, operate and maintain viable projects.

*Tribal government*—The governing body or a governmental agency of any Indian tribe, band, nation, or other organized group or community (including any Native village as defined in 43 U.S.C. 1602) certified by the Secretary of the Interior as eligible for the special programs and services provided through the Bureau of Indian Affairs.

[57 FR 44317, Sept. 25, 1992, as amended at 59 FR 11706, Mar. 14, 1994; 59 FR 53930, Oct. 27, 1994; 59 FR 66440, Dec. 27, 1994]

### § 1703.13 Source of funds.

Funds provided under this program come from interest differential credits to the subaccount and appropriated amounts made available to the subaccount.

### § 1703.14 Disposition of funds in the subaccount.

Zero-interest loans and grants will be made during each fiscal year to the full extent of the amounts held in the subaccount subject only to limitations imposed by law. For administrative purposes, the Administrator will make a determination of the fiscal year-end amount held in the subaccount as of a date prior to, but as near as practicable to, the end of the fiscal year.

### § 1703.15 [Reserved]

### § 1703.16 Eligibility.

Zero-interest loans and grants may be made to any borrower that is not delinquent on any outstanding Federal debt or in bankruptcy proceedings. However, a zero-interest loan or grant will not be made to a borrower during

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any period in which the Administrator has determined that no additional financial assistance of any nature should be provided to the borrower pursuant to any provision of the Act. The determination to suspend eligibility for assistance under this subpart will be based on one or more of the following factors:

(a) The borrower's demonstrated unwillingness to exercise diligence in repaying RUS loans or loan guarantees that results in the Administrator being unable to find that a loan, or loan guaranteed by RUS, would be repaid within the time agreed;

(b) The borrower's demonstrated unwillingness to meet requirements in RUS's legal documents or regulations; or

(c) Other actions on the part of the borrower that thwart the achievement of the objectives of the RUS program.

### **§ 1703.17 Uses of zero-interest loans and grants.**

(a) Zero-interest loans and grants must be used exclusively to promote rural economic development and/or job creation projects, including, but not limited to, project feasibility studies, start-up costs, business incubator projects, and other reasonable expenses for the purpose of fostering rural economic development.

(b) The Administrator will give preference to providing funds under this subpart for projects other than business incubator projects to the extent funds are available to borrowers for business incubator projects from a rural business incubator fund administered by the Administrator in accordance with section 502 of the Act (7 U.S.C. 950aa-1).

(c) Zero-interest loans and grants may be used for Projects that enhance rural economic development by providing advanced telecommunications services and computer networks for medical and educational services, as follows: (1) For telecommunications end use and/or transmission facilities; and (2) Other portions of the project, such as modifications to buildings necessary to accommodate telecommunications equipment for medical care and other services, public or private education, and employment training.

(d) Zero-interest loans and grants may be used for community antenna television systems or facilities. The borrower will document that such facilities provide a tangible economic benefit to the proposed service area in accordance with § 1703.46 of this subpart. Notwithstanding this, the Administrator reserves the right to deny any proposal for community antenna television systems or facilities. Community antenna television systems or facilities will be considered for funding in accordance with § 1703.46 of this subpart and this section only when all of the following conditions exist:

(1) The proposed community antenna television system or facility is established in cooperation with a local educational and/or medical entity(ies) to provide educational and/or medical programming which addresses specific needs of rural residents;

(2) Services to be provided by the proposed community antenna television systems or facilities are not available in the area to be served, or services are not being provided by the existing television programming carrier at an affordable cost to residents; and

(3) Such community antenna systems or facilities will not present undue competition for existing television programming carriers in the area.

[57 FR 44317, Sept. 25, 1992, as amended at 59 FR 11706, Mar. 14, 1994; 59 FR 53930, Oct. 27, 1994]

### **§ 1703.18 Types of projects eligible for grant funding.**

Grants may be made for the following purposes:

(a) The establishment and operation of a revolving loan program by Borrowers in accordance with § 1703.22;

(b) Project feasibility studies to assist for-profit and non-profit entities in conjunction with a loan for an authorized project. Feasibility studies will include management assistance, consultation, and research for planning individual projects that the Borrower has determined will benefit the rural community. Feasibility studies which may be financed under this section must be performed by qualified entities subject to § 1703.19, General requirements for grant funding. Feasibility studies must address the important aspects of